

Testimony of Jim Peters, President of Paper Products Marketing

Good morning. My name is Jim Peters and I am President of Paper Products Marketing (PPM) in Portland Oregon. I am accompanied today by my legal counsel, Les Glick of Porter Wright Morris & Arthur in Washington D.C. I have attachments to my prepared remarks that I request be included with my written statement in the official transcript.

PPM is a wholly owned subsidiary of Australian Paper, a producer and exporter of the product under investigation. We have been a participant in the North American cut size paper market for the past 12 years. Unlike the majority of importers of paper, we are owned by a paper manufacturer. We have always conducted our marketing and pricing strategies with an intent to be a responsible supplier of paper and we do not engage in any predatory underselling practices.

Our limited range with only letter-size product, our small market share, which averaged 1.2% over the 4 year period, our letter-size sheeting capacity restraints at our mill, which is operating at 100% and our responsible pricing strategies for North America are all factors that indicate that we are not a cause of injury or threat to the U.S. producers.

I will demonstrate that our products are not being sold in violation of the antidumping laws nor causing material injury or threat of material injury to any US producers.

Petitioners have relied on inaccurate information as to our pricing in Table I-4. The Petitioners' pricing information is based on a "delivered price" before discounts and does not reflect actual pricing to customers in the market. There is widespread discounting by domestic producers from their list price sheets depending upon volume. Second, Petitioners' submission of Australia's prices listed in the Petition are transfer prices from Australian Paper to PPM at the port of U.S. entry, which is totally different than our "delivered prices". When you compare domestic prices for the same quality product, there is little difference between petitioners' prices and ours. Again, the prices that petitioners have listed in the Petition for Australia on page I-29 when used to compare to U.S. producers prices are misleading and inaccurate. We are providing today a summary of our Average Delivered Sales Prices, which show that they were \$997/ST in 2011, not \$888 as alleged in the Petition; \$954/ST in 2012, not \$825; \$933/ST in 2013, not \$820; and \$953/ST in 2014, not \$811; we are consistently higher than those transfer prices listed on page I-29 of the Petition for the same periods. Our prices have been and continue to be within the range of domestic pricing for these products.

The RISI report for the products under investigation lists 4 primary segments for the market as follows:

Mill Brand— these are the leading brands from the domestic producers, but also include "support sizes". Prices for the support sizes are considerably higher than the basic letter size. Australian Paper does not produce the support sizes and PPM only markets letter-size.

Private Label —Due to the name recognition, such as XEROX, this carries a much higher price in the market than standard copy paper. Only a small portion of our sales would be involved in this segment.

The last two segments are called white box or large box and contract including TSB. This segment has a price range from of \$920-980/Short ton.

Australian Paper and PPM sell to paper merchants and to a lesser extent smaller office supply stores. We do not quote to the large box stores like Office Depot, Office Max and Staples, which make up half of the market sales of copy paper. We also do not participate directly in the tax supported bids (TSB), although at times our distributors have when there are no "Buy American" requirements. The large box and TSB markets make up close to 70% of the market, and Australia does not participate directly, and cannot, therefore, be a factor in any alleged injury or threat to this segment.

We are proud to support the U.S. paper merchant industry and especially the Association of Independent Paper and Printing Merchants who at times have had domestic mills shut them out of supply on short notice. In January, one of the petitioners notified 5 of the AIPPM members that due to supply constraints, they would no longer be able to supply them paper. They gave them one week notice. We were able to fill the void on the letter-size product with these merchants when the domestic producers could not.

Non-price factors are why merchants and distributors buy our product. We have 100% environmental certifications (PFEC) that many U.S. customers require and not all as U.S. producers have. We now have recycled grades which made up half of our growth in 2014. We have excellent quality, consistent supply, and do not attempt to undersell the market. Therefore, we repeat, we are not causing material injury or threat of material injury to any U.S. producer.

the average unit values (“AUVs”) of subject imports with the public AUVs for U.S. producers’ commercial shipments shows significant margins of underselling. Petitioners have lost a substantial volume of sales and have been forced to lower prices to achieve sales due to significant and pervasive underselling by subject imports. The level of underselling presented in Table I-4 is understated because the AUVs reported by RISI include import prices from subject countries.

Table I-4 Price Comparisons of Subject Imports and Public Prices for U.S. Producers’ Shipments

	2011	2012	2013	January-September	
				2013	2014
Average Unit Value (\$/short ton)					
Australia	888	825	820	818	811
Brazil	995	983	920	925	915
China	1,081	894	805	805	804
Indonesia	930	883	852	864	866
Portugal	1,041	1,003	1,000	998	1,001
Total Subject Imports	994	943	904	907	891
U.S. Producers	1,080	1,050	1,000	1,004	1,026
Margins of Underselling (%)					
Australia	17.8	21.5	18.0	18.5	20.9
Brazil	7.9	6.4	8.0	7.9	10.8
China	0.0	14.9	19.5	19.9	21.6
Indonesia	13.9	15.9	14.8	13.9	15.6
Portugal	3.7	4.4	0.0	0.6	2.4
Total Subject Imports	7.9	10.2	9.6	9.6	13.2

Sources: AUVs for Australia, Brazil, China (including Hong Kong) Indonesia, and Portugal: USITC Dataweb CIF imports for HTSUS 4802.56 and 4802.57. U.S. Producers’ AUVs: RISI Pricing Data for Std. 92 Brite Copy Paper, 20 lbs., Exhibit I-14.

3. Subject imports significantly depressed and suppressed prices for the domestic like product

Subject imports have significantly depressed and suppressed prices for the domestic like product. As shown in Table I-4, the AUVs for subject imports from each subject country

Table I-2: U.S. Shipments and Imports of Certain Uncoated Paper, Apparent Consumption, and Market Shares

	2011	2012	2013	Change '11 to '13	January-September		Change '13 to '14
					2013	2014	
Shipments and Imports (Short Tons)							
U.S. Industry	4,069,200	3,889,600	3,740,100	-8.1%	2,869,100	2,591,400	-9.7%
Australia	22,083	51,046	53,678	143.1%	44,375	66,950	50.9%
Brazil	160,363	153,189	217,791	35.8%	160,887	195,395	21.4%
China ¹	18,330	49,974	95,089	418.8%	72,569	113,249	56.1%
Indonesia	105,560	116,421	128,071	21.3%	82,723	183,448	121.8%
Portugal	159,955	156,101	176,580	10.4%	135,104	136,900	1.3%
Subject Imports	466,291	526,731	671,208	43.9%	495,658	695,942	40.4%
All Other Countries	206,841	179,296	171,861	-16.9%	132,153	114,797	-13.1%
Apparent Consumption (Short Tons)							
	4,742,332	4,595,627	4,583,170	-3.4%	3,496,911	3,402,138	-2.7%
Shares of Apparent Consumption (%)							
U.S. Industry	85.8%	84.6%	81.6%		82.0%	76.2%	
Australia	0.5%	1.1%	1.2%		1.3%	2.0%	
Brazil	3.4%	3.3%	4.8%		4.6%	5.7%	
China	0.4%	1.1%	2.1%		2.1%	3.3%	
Indonesia	2.2%	2.5%	2.8%		2.4%	5.4%	
Portugal	3.4%	3.4%	3.9%		3.9%	4.0%	
Subject Imports	9.8%	11.5%	14.6%		14.2%	20.5%	
All Other Countries	4.4%	3.9%	3.7%		3.8%	3.4%	

AVG.
1.22%

Sources: ITC Dataweb imports for HTSUS 4802.56 and 4802.57. U.S. industry shipments: AF&PA StatMill reports. See U.S. industry shipment calculation at Exhibit I-4.

¹ Includes imports from Hong Kong, which are all believed to originate from China.

Subject imports also increased relative to Petitioning Producers' U.S. production, as shown on Table I-3 below:

Table 6
Delivered Printing And Writing Paper Prices
For Most Common Transactions
US Dollars Per Ton

Average Price 1,080

U.S. Producer Prices

	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012
US Prices													
Uncoated Freesheet Papers	1,080	1,080	1,070	1,060	1,055	1,080	1,100	1,105	1,095	1,085	1,080	1,070	1,060
Std. 92 Brt Xerog.	-0.5	0.0	-0.9	-0.9	-0.5	2.4	1.9	0.5	-0.9	-0.9	-0.5	-0.9	-0.9
%													

Paper Trader - January 2013

Table 6
Delivered Printing And Writing Paper Prices
For Most Common Transactions
US Dollars Per Ton

Average Price 1,050

	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013
US Prices													
Uncoated Freesheet Papers	1,060	1,055	1,055	1,055	1,055	1,055	1,060	1,050	1,045	1,040	1,040	1,035	1,035
Std. 92 Brt Xerog.	-0.9	-0.5	0.0	0.0	0.0	0.0	0.5	-0.9	-0.5	-0.5	0.0	-0.5	0.0
%													

Paper Trader - January 2014

Table 6
Delivered Printing And Writing Paper Prices
For Most Common Transactions
USDollars Per Ton

Average Price 1,000

	Jan 2013	Feb 2013	Mar 2013	Apr 2013	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014
US Prices													
Uncoated Freesheet Papers	1,035	1,025	1,015	1,005	1,000	1,000	990	985	985	985	990	990	1,015
Std. 92 Brt Xerog.	0.0	-1.0	-1.0	-1.0	-0.5	0.0	-1.0	-0.5	0.0	0.0	0.5	0.0	2.5
%													

Paper Trader - January 2015

Table 6
Delivered Printing And Writing Paper Prices
For Most Common Transactions
US Dollars Per Ton

Average Price 1,026

	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	Jul 2014	Aug 2014	Sep 2014	Oct 2014	Nov 2014	Dec 2014	Jan 2015
US Prices													
Uncoated Freesheet Papers	1,015	1,015	1,020	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,020	1,015	1,015
Std. 92 Brt Xerog.	2.5	0.0	0.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	-0.5	0.0
%													

Note: Prices are a composite of both spot and contract tonnage before standard discounts for payment terms. Copy paper prices are a composite of both branded and private label paper. Coated paper prices include merchant commissions for merchant grades and are eastern prices. Prices may be different in the west. Formbond prices represent a mix of white 20 lb. grades not just stock tab.

Table 24
Leading Brands of Cut Size Copy and Multipurpose Paper in North America

Domestic Mill Brands		Offshore Mill Brands	
Domtar	Earth Choice Office Paper Domtar Copy First Choice Husky Copy Xerox 100% Recycled Bond Xerox 4200 Xerox Multipurpose Cougar Digital Color Copy Enterprise Group: Willcopy	Advance Agro	Double A
		APRIL	Paperone
		Soporcel	Navigator Discovery
		Suzano	Suzano High Bright Laser Report Premium
International Paper	Hammermill Fore MP Great White Relay Premium MP Tidal MP	Stora Enso	Zoom Xerographic 4CC Multicopy
		UPM	UPM Office Color Laser UPM Office Copy/Print UPM Office Multifunction
Boise	X-9 Boise Multipurpose Aspen Polaris HD:P Splox Diverse Earth	Merchant Brands	
		AIPPM	IMPACT
		Netprint	Meteor
		xpedx	Vector
Georgia-Pacific	GP Standard GP Image Plus GP Premium GP Super Premium	Unisource	Econosource DocuSource ColorSource
Cascades	Rolland Enviro 100 Repro Plus 50	Gould	Business Choice PaperPro Xtream
Finch	Finch Xerographic Finch Fine Color Copy	Spicers	Pacesetter
		Other Reseller Brands	
Glatfelter	GO Multipurpose	United Stationers	Universal Office Impressions
BPM, Inc.	Envirographic 100		
American Eagle	Eagle Office Multipurpose 30 Eagle Office Multipurpose 50 Eagle Office Multipurpose 100 Eagle Armour Copy (Antimicrobial)		

Note: Excludes colors and premium cover & text grades

Table 23
Typical US Cut Size Uncoated Freesheet Pricing for Standard 92 Bright 8.5" x 11" Multipurpose Office Paper
 Mill Pricing including Delivery to Customer Warehouse

	Price Range as of September 2013		Rough Market Weighting
	US\$/CWT (100 lbs.)	US\$/tonne	
Mill Brand	\$52-58	\$1,146-1,236	16%
Private Label	\$49-53	\$1,080-1,168	15%
White Box	\$46-50	\$1,014-1,102	25%
Contract	\$45-49	\$992-1,080	45%
Tax Supported Bids (Federal & State Government, Schools, etc.) Corporate Contract (Banks, lawyers, etc.) Facilities Management Contract (IKON, Pitney, OCB, Xerox) Buying Groups and Other Distributors (IS Group, TriMega)			
Weighted Average	\$49.25	\$1,086	100%

↑
 METRIC
 TO M

The next step down is white box paper, which is typically paper with no brand name that is sold cheaply in office superstores. The price to the distributor for this type of paper is \$46-50/cwt. At the low end of the price scale is the big and competitive contract bid system. Offshore mills typically are active in this sector and the prices are currently kept quite low. Also, the largest volume of paper (45% of the market) is typically sold on a contract bid basis. There are different types of bid business, but we were not able to determine any predictable differences in pricing. Tax supported bids are a big sector and include federal purchases, school purchases and similar contracts. Corporate contracts are often negotiated with large banks, lawyers, hospitals and related institutions. There are also contracts signed with facilities management companies, buying groups and major big box retailers. Prices for the contract bid business can vary widely, but are typically \$44-49/cwt for basic white-box paper, but can be higher for mill brands.

The task of weighting these various price ranges and coming up with one number that represents an average for the industry can be a bit of a challenge. We have included the rough weightings in Table 23 that represent the size of the market. We estimate that mills in the USA on average were getting a delivered average price of \$49.25/cwt (\$1,086/tonne) as of September 2013.

Historical Price and Mill Profitability Trends

The price history by month for cut size uncoated freesheet in the USA is presented in Figure 6 back to 2000. Prices were very low coming out of the 2001 recession and actually continued to go down through 2004 even after the recession ended. This was primarily because the market for uncoated freesheet had just turned the point from one that was growing historically to one that would soon be known to be in a long-term secular decline. Producers held on for a while without closing mills to match demand, hoping that demand would eventually return. Mills eventually came to realize that demand was not coming back, and embarked upon a series of major capacity shuts to match demand. These shuts were also facilitated by a number of merger and acquisition events that started to result in some significant concentration in the industry among the top four producers. Producers began a policy of pre-emptive capacity shuts rather than waiting for prices to decline to cash cost levels before shutting a mill.

This policy resulted in a significant improvement in prices and profitability during the period from 2006 to 2008. Then the next recession hit, and prices again started to deteriorate. However, the fall in pricing was very modest compared to other paper grades, and mills maintained a higher level of profitability during the recession thanks to continued pre-emptive capacity shuts.

Despite holding up well during the 2008/2009 recession, there has been a consistent trend of declining prices in North America over the past two or three years. The two primary reasons are low operating rates and increased



SOUTH BEND COMMUNITY SCHOOL CORPORATION

215 SOUTH ST. JOSEPH STREET SOUTH BEND, INDIANA 46601
TELEPHONE (574) 283-8000

October 7, 2013

Midland Paper
Attn; Jerry Damascus
Fax #: 847-403-6872
101 E. Palatine Road
Wheeling IL 60090

Dear Mr. Damascus:

The South Bend Community School Corporation would like to thank you for your interest in our copy paper needs on Bid #2013/08.

Bids were opened and read aloud on October 4, 2013 at 3:00PM.

Attached you will find a tabulation sheet with the bid results from all vendors.

Pending Board of School Trustees decision on Monday, October 21, 2013 award will be given to THE PAPER CORPORATION as the lowest, responsible vendor.

If you have any questions and/or concerns please contact me at 574-283-8310 or by email at cheim@sbcsc.k12.in.us

Sincerely,

A handwritten signature in black ink, appearing to read 'Christy Heim', is written over the typed name.

Christy Heim
Purchasing Supervisor
SBCSC

attachment

BID TABULATION SHEET**COPY PAPER****BID #2013/08****DOMESTIC ONLY BID**

VENDOR	DESCRIPTION	QTY	PRICE/REAM	PRICE/TOTAL
Contract Paper Group	8 ½ x 11 20# white	42,000 Reams	\$2.327	\$97,734.00
Lewis Paper Place	8 ½ x 11 20# white	42,000 Reams	\$2.329	\$97,818.00
Bye Mor	8 ½ x 11 20# white	42,000 Reams	NO BID	NO BID
Ricoh USA	8 ½ x 11 20# white	42,000 Reams	NO BID	NO BID
Commercial Office Products	8 ½ x 11 20# white	42,000 Reams	\$2.55	\$107,100.00
Costco Wholesale	8 ½ x 11 20# white	42,000 Reams	NO BID	NO BID
Unisource	8 ½ x 11 20# white	42,000 Reams	\$2.287	\$96,054.00
Novus Paper	8 ½ x 11 20# white	42,000 Reams	\$2.34	\$98,280.00
Sanco	8 ½ x 11 20# white	42,000 Reams	NO BID	NO BID
Paper Corp	8 ½ x 11 20# white	42,000 Reams	\$2.269	\$95,298.00
Midland Paper	8 ½ x 11 20# white	42,000 Reams	\$2.475	\$103,950.00

\$908/ST

Bid #2013/08 Copy Paper was opened and read aloud on Friday, October 4, 2013 at 3:00pm. Present for the opening were Christy Heim/Purchasing Department and Rick Maciejewski/Stores Department.

Pending Board of School Trustees approval on Monday, October 21, 2013 award will be given to The Paper Corporation as the lowest, responsive, and responsible bidder for a total award of \$95,298.00

%	Budget Code	Allocation	EASTERN SUFFOLK BOCES COOPERATIVE BIDDING Bid #2014-002-0218/Bid #2014-002-0318: Fine & Recycled Paper Term of Contract Is from May 1, 2014 through September 30, 2014				Requisition
		-					Location
		-					
		-					Attention
		-					No.
		-					Date
		-					Amount

School District's				Brand Name of Paper and Item Number	Alternate	Item Description	Price	Awarded Vendor	Extension
Line	Budget Code	Qty	UOM						
00001			CS	boise fireworx-CASMP2201BE		Blue Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00002			CS	boise fireworx-CASMP2201BF		Buff Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00003			CS	boise fireworx-CASMP2201CY		Canary Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00004			CS	boise fireworx-CASMP2201CHE		Cherry Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00005			CS	boise fireworx-CASMP2201GRP		Goldenrod Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00007			CS	boise fireworx-CASMP2201OR		Orchid Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00008			CS	boise fireworx-CASMP2201GN		Green Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00009			CS	boise fireworx-CASMP2201GY		Gray Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00010			CS	boise fireworx-CASMP2201IY		Ivory Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00011			CS	mason flagship-WBM21200	BOISE	92 Bright White Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only - 92 Bright 4-20 LB 8 1/2x11 / 92 Bright	22.59	W.B. Mason Co. Inc.	-
00012			CS	boise fireworx-CASMP2201PK		Pink Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00013			CS	boise fireworx-CASMP2201SN		Salmon Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-
00014			CS	boise fireworx-CASMP2201TN		Tan Xerographic 10/cs Mill, Private or Business Equipment Manufacture Brand only4-20 LB 8 1/2x11	33.10	W.B. Mason Co. Inc.	-

\$904/ST



St. Louis Park Public Schools

Achieving success, one student at a time.

St. Louis Park Public Schools

District Offices

6425 West 33rd Street
St. Louis Park, MN 55426
(952) 928-6008
(952) 928-6020 (Fax)
wright.kevin@slpschools.org
www.slpschools.org

April 22, 2013

- Anchor Paper, Steve Nielsen
- Apache Group, Steve Huderle
- C. J. Duffey, Chris Anderson
- Costco, Geri Rosenberg
- Midland Paper, Jerry Damascus
- Paper 101, Mary Cross
- Contract Paper Group, Randy Cockrill
- Unisource Paper, Erroll Foy
- Wilcox Paper, Kristi Hudy
- Xpedx Paper, Laura Velsvaag
- Office Depot, Brian Bram

SUBJECT: Bid Award

Thank you for your submission of the paper bid for the St. Louis Park School District for the 2012 – 2013 school year. I am writing to inform you that the St. Louis Park School District decided on April 22, 2013 to approve Costco as the paper vendor for this order. A summary of the bids received is listed below:

BID RESULTS

VENDOR	QUOTE
Anchor Paper	\$ 2.336
Apache Group	No Bid
C. J. Duffey	\$ 2.279
Contract Paper Group	\$ 2.282
Costco	\$ 2.259
Midland Paper	\$ 2.292
Paper 101	\$ 2.278
Unisource Paper	No Bid
Wilcox Paper	\$ 2.325
Xpedx Paper	No Bid
Office Depot	No Bid

GEORGIA PACIFIC

\$904/ST

We will keep you in mind for future bid requests. If you have any questions, please contact me at the numbers indicated above.

Sincerely,
Kevin P. Wright
Kevin P. Wright
District Accountant

LAUSD

IFB # 200000141 - 3/24/2014 @ 11am

Line 1 = Paper, Bond, 20lbs., 92 Brightness, White, 8 1/2" X 11" Letter Size - aprox. case = 50,400

Line 2 = Paper, Bond, 20lbs., 96 Brightness, White, 8 1/2" X 11" Letter Size - aprox. case = 10,080

Line 3 = Paper, Xerographic, 20lbs., 92 Brightness, White, 8 1/2" X 11" Letter Size - aprox. case = 10,080

Line 4-13 = Color Paper, Bond, 20#, (Cherry-480, Blue-1120, Buff-600, Canary-1000 & Golden Rod-640) = 7800

Line 14-20 = Flourescent Paper, Bond, (Lunar Blue-400, Terra Green-360, Re-Entry Red-320, Pulsar Pink-280, Planet Purple-200, Cosmic Orange-400, Solar Yellow-520) = 2,960 c

Red = Lowest priced vendor

Vendor	Brand	Price Per Case	Discount %
Spicers			
Line 1	NO BID	NO BID	1%
Line 2	NO BID	NO BID	1%
Line 3	NO BID	NO BID	1%
Line 4-13	Domtar	\$35.22	1%
Line 14-20	Neenah Paper	52.04	1%
Unisource			
Line 1	GP Spectrum	24.01	1%
Line 2	GP Spectrum	\$24.01	1%
Line 3	GP Xerographic	24.01	1%
Line 4-13	Fireworxs	36.74	1%
Line 14-20	Astrobrights	52.23	1%
C.P.G.			
Line 1	NO BID	NO BID	n/a
Line 2	NO BID	NO BID	n/a
Line 3	NO BID	NO BID	n/a
Line 4-13	Domtar Colors	\$33.54	n/a
Line 14-20	NO BID	NO BID	n/a
Xpedx			
Line 1	Vector	\$25.75	1%
Line 2	4 MP	\$28.75	1%
Line 3	4 MP	\$25.75	1%
Line 4-13	Hammermill Colors	\$31.78	1%
Line 14-20	Hammermill Colors	\$49.85	1%
Logan Marketing			
Line 1	TST	\$29.99	n/a
Line 2	TST	\$29.99	n/a
Line 3	TST	\$29.99	n/a
Line 4-13	NO BID	NO BID	n/a
Line 14-20	NO BID	NO BID	n/a

NET PRICE \$23.77

\$95115T

THE WALL STREET JOURNAL.

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BUSINESS

International Paper to Close Alabama Mill

Weakening Demand in Digital World Displaces 1,100 Employees

By **BOB TITA**

Updated Sept. 17, 2013 9:37 a.m. ET

International Paper Co. plans to close its biggest paper mill, displacing 1,100 workers and citing shrinking demand for paper in an increasingly digital world.

For workers at the Courtland, Ala., plant, the timing of the announcement could have been better: It comes a day after the company, whose sales and profit have been growing, boosted its dividend 17% and said it would buy back \$1.5 billion of stock.

With more consumers emailing, paying bills online and storing files electronically, rather than printing out reams of records, the market for copy paper and envelopes has been falling for the past decade.

Closing the Courtland plant will slash the company's paper-making capacity by about one-third, or 950,000 tons a year. The bulk of that—about 80%—is uncoated paper, used in copying machines, while the rest of production is shinier, coated paper used for magazines and catalogs.

★ IP executives said they looked at the cost of upgraded production lines to keep Courtland profitable in a shrinking market, and concluded the investment didn't make sense. ★

"This was a very difficult decision to make," said Tim Nicholls, senior vice president for IP's printing- and communications-paper business. "We explored numerous business and repurposing options for the Courtland mill, but concluded that permanently closing the mill best positions us for the future," he added.



Logs were delivered to the Courtland, Ala., mill Wednesday. The plant's closure will displace 1,100 workers. *DECATUR DAILY/ASSOCIATED PRESS*

Workers at the mill were stunned by the company's early-morning announcement that the 42-year-old plant will close by the end of next March.

"We knew that [production] capacity was going to come off the market, but we never dreamed it would be us," said Johnny Phillips, president of a United Steelworkers Union local that represents about 250 maintenance workers at the mill.

"The hardest part for me is looking at the youngest members," said Mr. Phillips, 58 years old, who has worked at the mill for three decades. "There aren't many private employers in the area that pay what we get paid." Maintenance workers' hourly wages range from about \$20 to \$32. Top pay for some other workers at the mill is even higher.

The massive complex, stretching across 2,200 acres, sits five miles north of the tiny town of Courtland, and just south of the Tennessee River, which snakes through heavily forested northwest Alabama. The mill is a fully integrated operation in which trailer loads of locally harvested logs enter the mill and leave the plant as packages of copy paper or rolls of paper for printing presses. The mill's wood-pulping operation

feeds the four paper-making machines, each of which extend for nearly the length of a football field and operate continuously. Other machines cut and stack paper into piles of 8.5-inch-by-11-inch packages.

With an annual payroll of \$86 million, the mill is the largest employer in rural Lawrence County and has maintained a significant presence in the community since opening in 1971, including supplying free copy paper to the local schools.

Mr. Phillips, of the United Steelworkers Union, said Courtland's employees are struggling to reconcile the closure of the mill at a time when the company is earning money and rewarding its investors with higher dividends and share purchases. IP's net earnings for the first six months of the year rose 79% from a year earlier to \$577 million, or \$1.29 a share. Sales increased 5% to \$14.4 billion.

"It's hard for us to understand how a mill that has put as much money in their coffers as ours could close and others stay open," he said, referring to other IP mills that produce uncoated paper, containerboard for cardboard boxes and packaging products for consumer goods.

The company said closing Courtland had nothing to do with the board's decision to buy back stock or raise the dividend. "These were both independent decisions and were made for the long-term interest for International Paper," Mr. Nicholls said.

International Paper accounts for about 25% of the North America production capacity for uncoated paper, second only to Domtar Corp. Closing the Courtland mill is expected to lower the industry's capacity about 8%. Paper makers Domtar, Georgia-Pacific and Boise Inc. have announced production cuts in the past two years.

"Everyone else has already done something, so it made sense for IP" to close a paper mill, said Chip Dillon, a paper-industry analyst for Vertical Research Partners. "They're the only one who hadn't shut capacity."

International Paper last closed a paper mill in 2010 when it shut its Franklin, Va., mill. After the Courtland mill closes, the company will rely on mills in Eastover, S.C., and Riverdale, Ala., to supply uncoated paper in North America. The company also has paper-making capacity overseas that could provide paper to the U.S. market if demand improves above the company's domestic capacity.

Mr. Dillon said the decline in white-paper demand has moderated this year, suggesting a bottoming out. After a 5% decline in 2012, consumption of white paper in the U.S. is

off less than 3% since the start of the year. Meanwhile, demand is increasing in Brazil, China, Russia and other developing countries, where International Paper has been adding paper-making capacity.

The company plans to record charges of \$675 million for the closing of the Courtland plant during the remainder of 2013 and in 2014.

Write to Bob Tita at robert.tita@dowjones.com

Corrections & Amplifications

Machines at International Paper Co.'s plant in Courtland, Ala., cut and stack paper into piles of 8.5-inch-by-11-inch packages. A previous version of this article incorrectly said the paper measured 8 inches by 10 inches.

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